

# Congress of the United States

Washington, DC 20515

March 11, 2011

Acting Director Edward DeMarco  
Federal Housing Finance Agency  
1700 G Street, NW  
Washington, D.C. 20552

Dear Mr. DeMarco:

The polar star for the Federal Housing Finance Agency ("FHFA") in the conservatorship of Fannie Mae and Freddie Mac ("the enterprises") must be minimizing taxpayer losses. We urge FHFA to pursue zealously all available legal claims to limit those losses, including claims against lenders from which the enterprises purchased mortgages and against issuers of "private-label" or "non-agency" mortgage-backed securities ("PLS") purchased by the enterprises, without regard to political considerations.

FHFA's opposition to modifying the enterprises' mortgages by reducing principal is greatly increasing taxpayer losses, however. Foreclosures result in a loss of 70 percent or more on the mortgage, and claims against homeowners for the difference, even in jurisdictions that allow such claims, are usually worthless. Sustainable mortgage modifications that avoid foreclosure will almost always reduce the loss to the enterprises. Modifications that reduce principal result in far fewer new defaults and eventual foreclosures than modifications that only reduce interest, or worse, are simply payment schedules. In addition, unnecessary foreclosures result in declining home values, more "underwater" homeowners and still more foreclosures, all increasing losses to taxpayers. Many residential real estate markets are already glutted with foreclosed homes.

Servicers for PLS mortgages now routinely reduce principal to the "net present value" of the mortgage, generally the value of the home as collateral together with the value to investors of the income stream from interest payments. Yet FHFA insists that servicers not reduce principal or even participate in HAMP's principal reduction program.

In short, FHFA's opposition to principal modifications makes no economic sense, and appears to violate FHFA's fiduciary duty to taxpayers to minimize taxpayer losses.

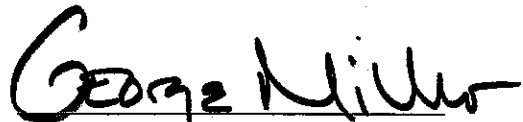
The need to reduce principal will be even more obvious if the reported "global settlement" with servicers becomes a reality. If servicers can match the principal reductions required by the settlement with reductions by investors in PLS mortgages, servicers will reduce those mortgages to the exclusion of the enterprises' mortgages. The result will be that taxpayers get none of the benefit of the settlement.

We strongly urge that you reconsider your previous refusal to allow principal modifications in light of your fiduciary duty to taxpayers.

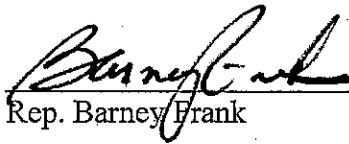
Sincerely,



Rep. Brad Miller



Rep. George Miller



Rep. Barney Frank



Rep. Elijah Cummings



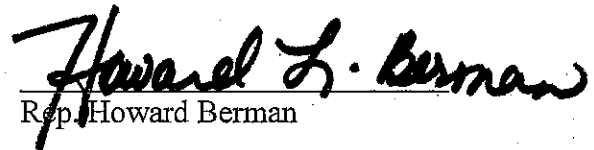
Rep. John Conyers



Rep. Maxine Waters



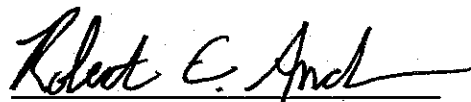
Rep. Linda Sanchez



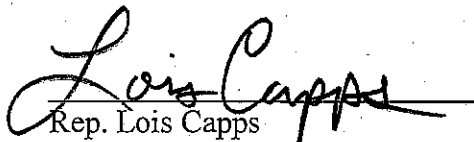
Rep. Howard Berman



Rep. Gary Ackerman



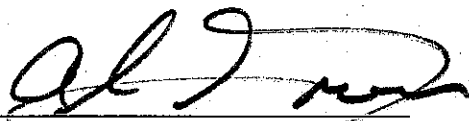
Rep. Robert Andrews



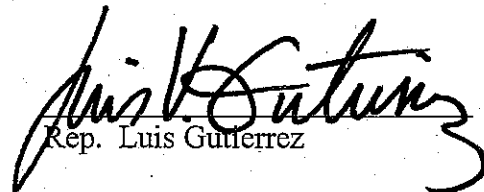
Rep. Lois Capps



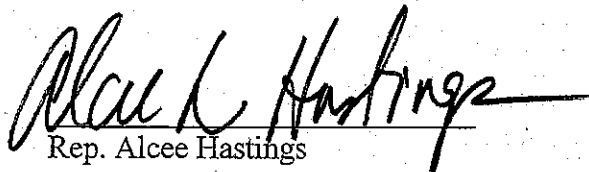
Rep. Bob Filner



Rep. Al Green



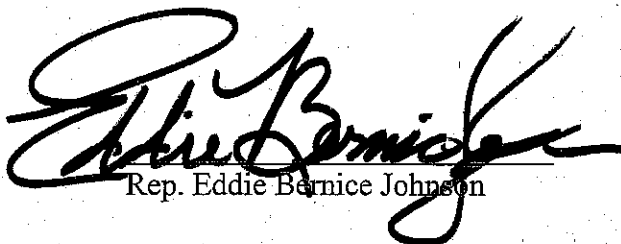
Rep. Luis Gutierrez



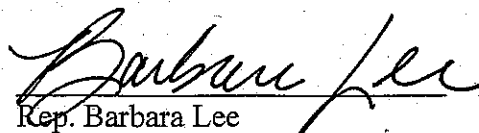
Rep. Alcee Hastings



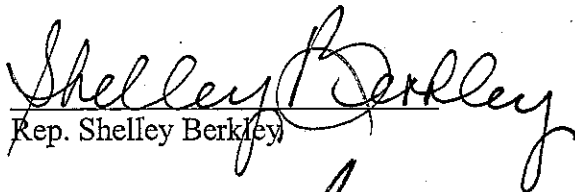
Rep. Maurice Hinchey



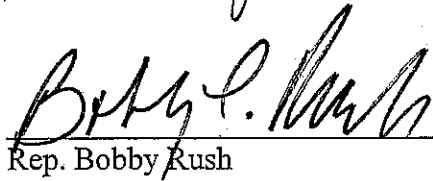
Rep. Eddie Bernice Johnson

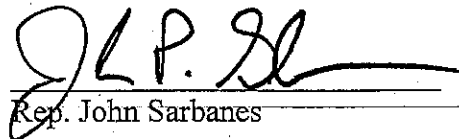


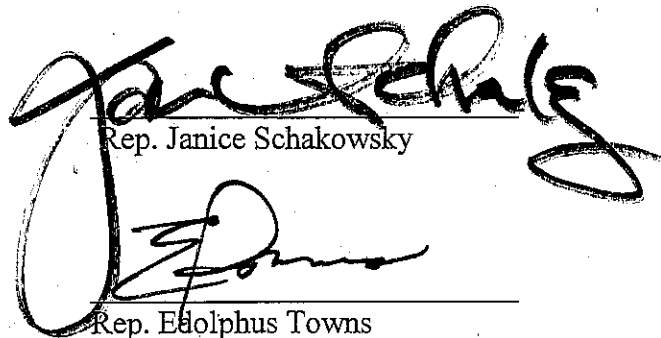
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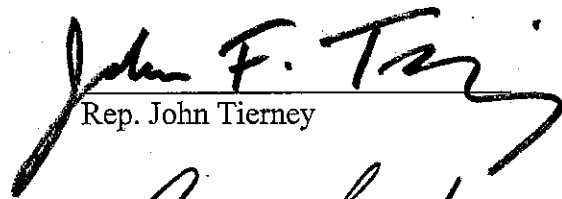
  
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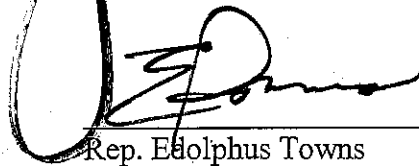
  
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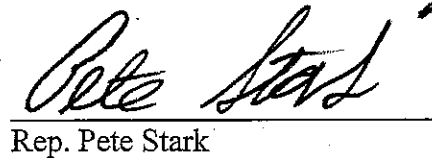
  
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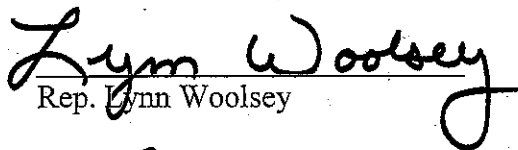
  
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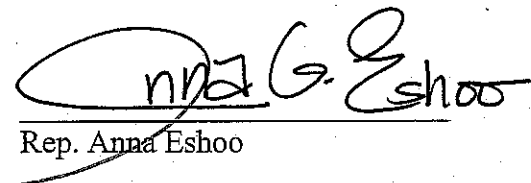
  
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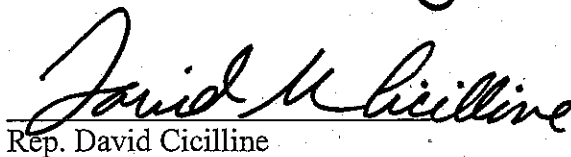
  
Rep. John Tierney

  
Rep. Edolphus Towns

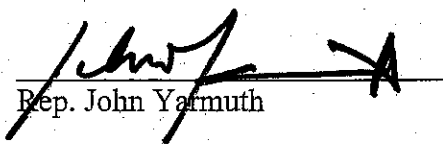
  
Rep. Pete Stark

  
Rep. Lynn Woolsey

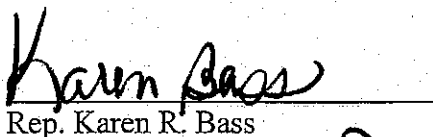
  
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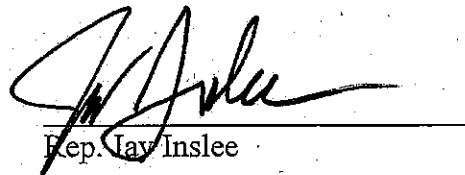
  
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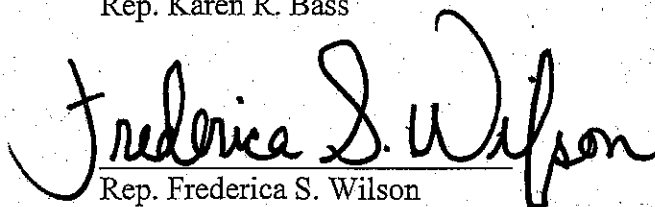
  
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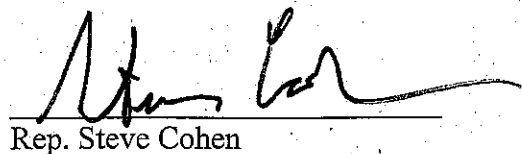
  
Rep. John Yarmuth

  
Rep. Joe Baca

  
Rep. Karen R. Bass

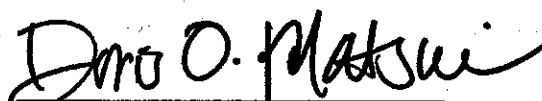
  
Rep. Jay Inslee


  
Rep. Frederica S. Wilson

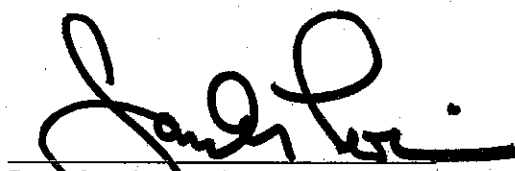
  
Rep. Steve Cohen

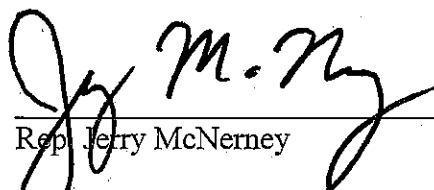
  
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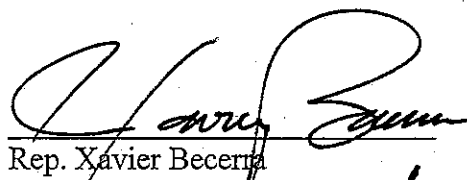
  
Rep. Terri Sewell

  
Rep. Doris Matsui

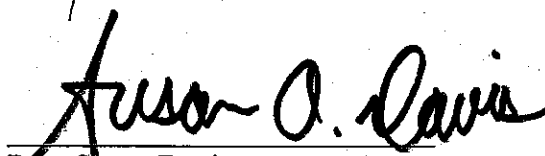
  
Rep. Jackie Speier

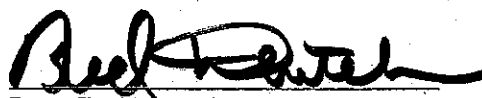
  
Rep. Sander Levin


  
Rep. Jerry McNerney

  
Rep. Xavier Becerra

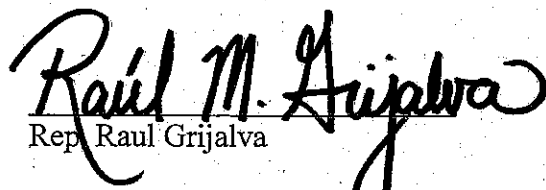
  
Rep. Earl Blumenauer


  
Rep. Susan Davis

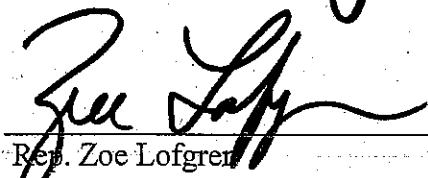
  
Rep. Ted Deutch


  
Rep. Keith Ellison

  
Rep. Sam Farr

  
Rep. Raul Grijalva

  
Rep. Mike Honda

  
Rep. Zoe Lofgren

  
Rep. Jim McDermott

Eleanor H. Norton

Rep. Eleanor Holmes Norton

Debbie Wasserman Schultz

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